

IRS News Release

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IRS Clarifies Tax Treatment of Various Medical Expenses

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WASHINGTON — In two rulings issued today, the Internal Revenue Service clarified the tax treatment of certain medical expenses. The guidance affects the ability of taxpayers to claim these expenses when itemizing deductions.

Taxpayers who itemize may claim medical expenses only to the extent they exceed 7.5 percent of adjusted gross income. Even though more than one-third of taxpayers itemize deductions, fewer than six percent claim medical expenses.

The rulings cover five subjects:

- nonprescription drugs recommended by a doctor;
- nonprescription equipment, supplies, or diagnostic devices;
- breast reconstruction surgery;
- vision correction surgery; and
- teeth whitening procedures.

The law limits the deduction for medicine or drugs to insulin and those drugs that require a prescription. Even when recommended by a doctor, medicines available over-the-counter are not deductible. However, this limitation does not apply to other nonprescription items, such as bandages, crutches, thermometers, or blood sugar test kits. If otherwise qualifying as related to medical care, such items are deductible.

The law does not allow a deduction for cosmetic surgery or similar procedures, unless needed to correct a deformity related to an injury, disease, or congenital abnormality, to meaningfully promote the proper function of the body, or to prevent or treat illness or disease. Thus, breast reconstruction after a mastectomy or vision correction by laser surgery would be deductible expenses. However, merely improving appearance is not enough for a procedure to qualify as deductible. Hence, treatment of tooth discoloration, which doesn't promote the proper function of the body and doesn't correct a deformity, is not a deductible medical expense.

Revenue Rulings 2003-57, dealing with surgical procedures, and 2003-58, dealing with nonprescription items, are available on the IRS Web site at www.irs.gov and will be published in Internal Revenue Bulletin 2003-22, dated June 2, 2003.

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